

# Notes to consolidated financial statements

(Basis of preparation of consolidated financial statements)

## 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Osaka Cement Co., Ltd. (the "Company") maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted and applied in Japan.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The U.S. dollar amounts are included solely for the convenience of the reader and are stated, as a matter of arithmetic computation only, at US\$1.00=¥106.24, the exchange rate prevailing on March 31, 2018.

These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Any material differences between the cost of investments in consolidated subsidiaries and the underlying equity in their net assets at the dates of acquisition are amortized over five years.

Significant investments in unconsolidated subsidiaries and affiliates are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates which are not accounted for by the equity method are carried at cost.

## 3. SCOPE OF CONSOLIDATION

(1) Number of consolidated subsidiaries: 37

(2) Names of main non-consolidated subsidiaries

SOC AMERICA INC.

(Reason for exclusion from the scope of consolidation)

The total assets, net sales, profit or loss, and retained earnings (amounts corresponding to equity) of the companies excluded from the scope of consolidation are all small in scale and do not have a material effect on the consolidated financial statements. These companies are therefore excluded from the scope of consolidation.

## 4. APPLICATION OF THE EQUITY METHOD

(1) Number of non-consolidated equity-method subsidiaries: 0

(2) Number of equity-method affiliates: 2

(3) Names of significant non-consolidated subsidiaries and affiliates not accounted for under the equity method

SOC AMERICA INC.

Hachinohe Biomass Power Generation Co., Ltd.

Right Grand Investments Limited

Forcecharm Investments Limited

(Reasons for not applying the equity method)

The profit or loss and retained earnings (amounts corresponding to equity) of the companies to which the equity method is not applied are all small in size and do not have a material effect on the consolidated financial statements.

These companies are therefore excluded from the scope of consolidation.

## 5. MATTERS CONCERNING THE FISCAL YEARS OF CONSOLIDATED SUBSIDIARIES

The consolidated subsidiaries SOC VIETNAM CO., LTD, Dongguan Sumi Sou Optoelectronics Technology Co., LTD, and Sumilong Nanotechnology Materials (SHENZHEN) Co., LTD. have a December 31 fiscal year-end date. Because the difference with the consolidated fiscal year-end date is within three months, the financial statements as of the fiscal year-end date of the consolidated subsidiaries are used in the preparation of the consolidated financial statements. Note that the required adjustments for consolidation have been made for material transactions that have occurred up until the consolidated fiscal year-end date.

## 6. MATTERS CONCERNING ACCOUNTING POLICIES

### (1) Valuation standards and methods for significant assets

Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method.

Available-for-sale securities

Securities with readily determinable market values

Stated at fair value based on the average market value during the final month of the period (valuation differences are directly reflected in net assets, and cost of sales is calculated using the moving-average method).

Securities without readily determinable market values

Stated at cost using the moving-average method.

Derivatives

Stated at market value.

Inventories

Inventories are stated principally at cost using the moving-average method (the carrying amount on the balance sheet is calculated by book value method based on decreases in profitability).

Note that inventories are stated at individual cost for certain consolidated subsidiaries (the carrying amount on the balance sheet is calculated by book value method based on decreases in profitability).

## **(2) Depreciation method of significant depreciable assets**

### *Property, plant and equipment (excluding leased assets)*

Depreciation is calculated based on the declining-balance method. (Note that the depreciation of in-house power generation facility at the Ako Plant, the Kochi Plant and Tochigi Plant, and property, plant and equipment of certain consolidated subsidiaries is calculated by the straight-line method, and quarry sites are depreciated by the unit-of-production method.)

In addition, depreciation of buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 is calculated by the straight-line method. The main useful lives are as follows.

Buildings and structures: 2 to 75 years

Machinery, equipment and vehicles: 2 to 22 years

### *Intangible fixed assets (excluding lease assets)*

Mining rights

Calculated by the unit-of-production method.

Others

Amortized by the straight-line method.

Note that the straight-line method is used for software (in-house use) based on the in-house use period (five years).

### *Leased assets*

Leased assets under finance leases transactions that do not transfer ownership

The straight-line method is applied for useful lives for the lease period, with a residual value of zero (residual value guarantee amount if there is a residual value guarantee agreement).

## **(3) Criteria for posting significant reserves**

### *Allowance for doubtful receivables*

To prepare for losses on doubtful receivables, the expected uncollectible amount is posted based on the loss ratio for general receivables and an individual examination of the collectability of specific doubtful receivables.

### *Provision for bonuses*

A provision for bonuses for employees is recorded based on the estimated payment amount.

### *Provision for directors' retirement benefits*

To prepare for payments of retirement bonuses for directors, consolidated subsidiaries provide reserves in amounts equal to the full amounts to be paid at the end of the fiscal year based on internal rules.

### *Provision for PCB wastes disposal costs*

To prepare for payment of disposal costs for PCB (polychlorinated biphenyl) wastes that are held, the estimated disposal, collection, and transport expenses are posted.

## **(4) Accounting method for retirement benefits**

### (1) Period allocation method for the projected retirement benefit obligation

The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year using the benefit calculation method.

### (2) Amortization of actuarial gain or loss

Actuarial gain or loss is amortized pro rata in the fiscal years following the year in which the difference occurs by the straight-line method over the specified number of years (15 years) within the average remaining years of service of the employees.

### (3) Application of the simplified method for small businesses

For certain consolidated subsidiaries, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the fiscal year are recorded as retirement benefit obligations.

## **(5) Criteria for posting significant revenues and expenses**

Criteria for posting net sales of completed construction contracts and cost of sales of completed construction contracts

The percentage-of-completion method (the percentage of completion is determined using the ratio of cost incurred to the estimated total cost) is applied for the portion of progress at the end of the current fiscal year for construction works in which the outcome is certain. Otherwise, the completed-contract method shall be applied.

## **(6) Accounting method for significant hedges**

### (1) Hedge accounting method

Special treatment is applied for interest rate swaps as certain requirements are fulfilled.

### (2) Hedging instruments and hedged items

Hedging instruments and hedged items for which hedge accounting was applied for during the current fiscal year are as follows.

Hedging instruments: interest rate swaps

Hedged items: loans payable

### (3) Hedging policy

Hedged items are identified by transaction for assets or liabilities, and the hedged items and hedging instruments that are identified are associated and separately managed based on hedge designation at the time of the hedged transaction.

### (4) Assessment of hedge effectiveness

The effectiveness of hedges is assessed by comparing the cumulative change of cash flows or fair value of both hedging instruments and corresponding hedged items. However, the assessment of effectiveness is not conducted for interest rate swaps for which special treatment is applied.

### (7) Amortization method and amortization period for goodwill

Goodwill is amortized over five years from the fiscal year of occurrence by the straight-line method.

### (8) Scope of funds contained within the consolidated statement of cash flows

Cash on hand, deposits that can be withdrawn at any time and easily be converted to cash, and short term investments that have maturities within three months of acquisition that are exposed to only a minimal price fluctuation risk are posted.

### (9) Other material items relating to the preparation of the consolidated financial statements

Accounting for consumption taxes

The tax excluded method is used as the accounting treatment for consumption taxes and local consumption taxes. However, non-deductible consumption taxes related to assets are reported as expenses for the fiscal year in which they are incurred.

### (Accounting standards not yet applied)

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018)
- Implementation guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

#### (1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. Given that IFRS 15 is applied from fiscal years starting on or after January 1, 2018 and that Topic 606 is applied from fiscal years starting after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is setting accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to add alternative accounting treatments without impairing comparability if there are items to be taken into account regarding business practices, etc. that are common in Japan.

#### (2) Scheduled application date

Application is scheduled for the beginning of year ending March, 2022.

#### (3) Impact of the application of this accounting standard

The impact of the application of the Accounting Standard for Revenue Recognition on the consolidated financial statements is currently being evaluated.

## (Notes to consolidated balance sheets)

### \*1. Pledged assets and secured liabilities

Pledged assets and secured liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Current deposit	¥ 687	¥ 442	\$ 4,160
Property, plant and equipment			
Buildings and structures	7,212	6,864	64,613
Machinery, equipment and vehicles	12,327	11,840	111,451
Land	4,426	4,024	37,881
Other	233	232	2,188
Total assets secured by such collateral	¥24,886	¥23,404	\$220,295

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Accounts payable trade	¥ 880	¥ 676	\$ 6,367
Short-term loans payable	502	360	3,388
Current portion of long-term loans payable	529	541	5,101
Long-term loans payable	4,369	3,830	36,055
Total obligation secured by such collateral	¥6,280	¥5,408	\$50,912

### \*2. Items related to non-consolidated subsidiaries and affiliates are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Investment securities (stocks)	¥3,549	¥3,759	\$35,382

### \*3. Reduction entry

#### Previous fiscal year (March 31, 2017)

The reduction entry amounts corresponding to national subsidiaries were ¥528 million for buildings and structures, ¥4,416 million for machinery, equipment and vehicles, ¥310 million for land, ¥5 million for other tangible fixed assets, and ¥0 million for other intangible fixed assets. These reduction entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheet.

#### Current fiscal year (March 31, 2018)

The reduction entry amounts corresponding to national subsidiaries were ¥528 million (4,977 thousand U.S. dollars) for buildings and structures, ¥4,418 million (41,590 thousand U.S. dollars) for machinery, equipment and vehicles, ¥280 million (2,639 thousand U.S. dollars) for land, ¥4 million (41 thousand U.S. dollars) for other tangible fixed assets, and ¥0 million (7 thousand U.S. dollars) for other intangible fixed assets. These reduction entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheets.

#### \*4. Contingent liabilities

Guarantee obligations on bank loans, etc. are as follows.

(1) Guarantee obligations on bank loans (including re-guarantees)

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
K. Wah Construction Materials Ltd.	¥1,289	¥ 799	\$ 7,524
Others (1 company)	356	637	6,000
Total	¥1,646	¥1,436	\$13,525

(2) Guarantee obligations on product purchase obligations from a ready-made concrete co-operative

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (ended March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Tsukamoto Kenzai Co., Ltd.	¥18		
Others (3 companies)	20		
Total	¥39		

	Millions of yen		Thousands of U.S. dollars
	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Nohara Holdings, Inc.	¥57		\$542
Others (2 companies)	32		309
Total	¥90		\$851

#### \*5 Notes maturing on the fiscal year end date

Notes receivable and payable that matured on the fiscal year end date were treated as if settlement had occurred on the maturity date.

Because the fiscal year end date for the fiscal year ended March 31, 2018 was a financial institution holiday, the following notes were treated as if settlement had occurred on the maturity date.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Notes receivable	—	¥3,651	\$34,372
Notes payable	—	1,389	13,080
Equipment-related notes payable	—	6	58

#### (Notes to consolidated statements of income)

The main components of selling, general and administrative expenses are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Sales costs	¥10,540	¥10,729	\$100,989
Allowances and bonuses	8,028	7,977	75,088
Transfer to provision for bonuses	1,084	1,046	9,846
Retirement benefit expenses	591	510	4,804
Transfer to provision for retirement benefits for officers	41	39	376
R&D expenses	2,969	2,976	28,020

#### \*2. R&D expenses included in general and administrative expenses

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
	¥2,969	¥2,976	\$28,020

#### \*3. Main gains on sales of noncurrent assets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Land	¥503	¥165	\$1,559
Buildings and structures	273	0	0
Machinery, equipment and vehicles	115	190	1,796

#### \*4. Main losses on retirement of noncurrent assets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Buildings and structures	¥ 41	¥ 45	\$ 428
Machinery, equipment and vehicles	21	252	2,373
Machinery, equipment and vehicles removal costs	636	646	6,089

#### \*5. Main losses on sales of noncurrent assets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Land	¥1	¥1	\$15
Buildings and structures	0	5	49

#### \*6. Impairment loss

Based on the categories of business assets and idle assets, the Group groups its business assets based on the smallest segments used in management accounting and groups idle assets individually.

Business assets that are rental properties for the real estate business are grouped based on the corresponding property unit.

Previous fiscal year (April 1, 2016 to March 31, 2017)

For the fiscal year ended March 31, 2017

This information is omitted as it lacks materiality.

Current fiscal year (April 1, 2017 to March 31, 2018)

For idle assets and assets for the ready-mix concrete production business held by the Group with a recoverable amount lower than the carrying amount, the carrying amount has been reduced to the recoverable amount, and this reduction has been recorded under extraordinary loss as an impairment loss (¥124 million [1,171 thousand U.S. dollars]).

A breakdown of impairment losses is as follows.

Application	Location	Type	Impairment loss (millions of yen)	Impairment loss (thousands of U.S. dollars)
Idle assets	Matsusaka City, Mie Prefecture, etc.	Land and quarry sites	22	211
Assets for the ready-mix concrete production business	Osaka City, Osaka	Land, machinery, and equipment, etc.	102	960

#### \*Breakdown of impairment losses for each type

Application	Breakdown (millions of yen)	Breakdown (thousands of U.S. dollars)
Idle assets	Land 18, quarry sites 3 Total 22	Land 176, quarry sites 34 Total 211
Assets for the ready-mix concrete production business	Land 94, machinery and equipment 4, buildings 1, structures 1, other 0 Total 102	Land 886, machinery and equipment 38, buildings 11, structures 16, other 6 Total 960

Recoverable amounts are measured using respective net selling prices.

Net selling prices for land are assessed based on real estate appraisal valuations, and reasonable estimates are made for other fixed assets.

## (Notes to consolidated statements of comprehensive income)

\*Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Valuation difference on available-for-sale securities:			
Amount incurred during the current fiscal year	¥ 9,095	¥(3,500)	\$(32,947)
Reclassification adjustments	(566)	(206)	(1,944)
Before adjustment for tax effects	8,529	(3,706)	(34,891)
Tax effects	(2,644)	1,149	10,817
Valuation difference on available-for-sale securities	5,885	(2,557)	(24,074)
Foreign currency translation adjustments:			
Amount incurred during the current fiscal year	(87)	170	1,607
Remeasurements of defined benefit plans:			
Amount incurred during the current fiscal year	85	141	1,329
Reclassification adjustments	261	212	2,000
Before adjustment for tax effects	346	353	3,329
Tax effects	(107)	(109)	(1,032)
Remeasurements of defined benefit plans	239	244	2,297
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount incurred during the current fiscal year	1	0	5
Total other comprehensive income	¥ 6,038	¥(2,142)	\$(20,163)

## (Notes to consolidated statements of changes in net assets)

Previous fiscal year (April 1, 2016 to March 31, 2017)

### 1. Type and total number of outstanding shares and treasury shares

	Number of shares at beginning of the fiscal year (thousands of shares)	Increase during the fiscal year (thousands of shares)	Decrease during the fiscal year (thousands of shares)	Number of shares at the end of the fiscal year (thousands of shares)
Outstanding shares				
Common stock	417,432	–	–	417,432
Total	417,432	–	–	417,432
Treasury stock				
Common stock (note)	11,483	65	0	11,548
Total	11,483	65	0	11,548

(Note) A breakdown of increases and decreases in common stock held as treasury stock is as follows.  
Increase due to the acquisition of shares in amounts of less than one trading unit: 65 thousand shares  
Decrease due to sales of shares in amounts of less than one trading unit: 0 thousand shares

### 2. Information on dividends

#### (1) Amount of dividends paid

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2016	Common stock	1,623	4.0	March 31, 2016	June 30, 2016
Board of Directors Meeting held on November 5, 2016	Common stock	2,029	5.0	September 30, 2016	December 2, 2016

#### (2) Dividends with the cut-off date in the year ended March 31, 2017 and the effective date in the year ended March 31, 2018

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Ordinary general meeting of shareholders held on June 29, 2017	Common stock	2,029	Retained earnings	5.0	March 31, 2017	June 30, 2017

Current fiscal year (April 1, 2017 to March 31, 2018)

### 1. Type and total number of outstanding shares and treasury shares

	Number of shares at beginning of the fiscal year (thousands of shares)	Increase during the fiscal year (thousands of shares)	Decrease during the fiscal year (thousands of shares)	Number of shares at the end of the fiscal year (thousands of shares)
Outstanding shares				
Common stock	417,432	–	–	417,432
Total	417,432	–	–	417,432
Treasury stock				
Common stock (note)	11,548	79	1	11,626
Total	11,548	79	1	11,626

(Note) A breakdown of increases and decreases in common stock held as treasury stock is as follows.  
Increase due to the acquisition of shares in amounts of less than one trading unit: 79 thousand shares  
Decrease due to sales of shares in amounts of less than one trading unit: 1 thousand shares

### 2. Information on dividends

#### (1) Amount of dividends paid

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2017	Common stock	2,029	5.0	March 31, 2017	June 30, 2017
Board of Directors Meeting held on November 7, 2017	Common stock	2,232	5.5	September 30, 2017	December 1, 2017

(Resolution)	Type of shares	Total dividend amount (thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2017	Common stock	19,102	0.047	March 31, 2017	June 30, 2017
Board of Directors Meeting held on November 7, 2017	Common stock	21,011	0.052	September 30, 2017	December 1, 2017

(2) Dividends with the cut-off date in the year ended March 31, 2018 and the effective date in the year ending March 31, 2019

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	2,231	Retained earnings	5.5	March 31, 2018	June 29, 2018

(Resolution)	Type of shares	Total dividend amount (thousands of U.S. dollars)	Source of dividends	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	21,008	Retained earnings	0.052	March 31, 2018	June 29, 2018

## (Notes to consolidated statements of cash flows)

\*Relationship between cash and cash equivalents at end of the fiscal year and the carrying amount on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Ending balance of cash and deposits	¥26,828	<b>¥22,204</b>	<b>\$209,004</b>
Time deposits with a maturity of over three months	(156)	<b>(132)</b>	<b>(1,248)</b>
Ending balance of cash and cash equivalents	¥26,672	<b>¥22,072</b>	<b>\$207,756</b>

## (Lease transactions)

### 1. Finance lease transactions (lessee)

Finance lease transactions that do not transfer ownership

#### (1) Leased assets

Property, plant and equipment

Mainly consist of production facilities (machinery and vehicles) in the cement and mineral resources businesses

#### (2) Leased asset depreciation method

The depreciation methods of leased assets used for the preparation of the consolidated financial statements are as described under "4. Matters concerning accounting policies (2) Depreciation method of significant depreciable assets".

### 2. Operating lease transactions

Future lease payments for non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Within one year	¥142	<b>¥ 93</b>	<b>\$ 883</b>
Over 1 year	159	<b>123</b>	<b>1,164</b>
Total	¥301	<b>¥217</b>	<b>\$2,047</b>

## (Financial instruments)

Previous fiscal year (March 31, 2017)

### 1. Matters concerning the status of financial instruments

#### (1) Policies for financial instruments

The Group procures necessary funds primarily through bank loans and the issuance of bonds in accordance with capital

expenditure plans and financial plans mainly to engage in the business of producing and selling cement. Temporary surpluses are invested in low-risk financial instruments and bank loans provide short-term working capital. It is the Group's policy to use derivatives as a way to avoid the below-stated risks and to not engage in trading or speculative transactions.

#### (2) Types and risks of financial instruments and risk management

Trade receivables, such as notes and accounts receivable, are subject to credit risk in relation to customers. In accordance with its internal policies for managing such risk, the Company has established a system that manages the due dates and outstanding balances by each customer. Securities and investment securities are composed of mainly stocks associated with business and capital alliances, and are subject to market risk.

Trade payables, such as notes and accounts payable, usually have a payment due dates within one year. Furthermore, a certain portion of such payables are denominated in a foreign currency, associated with the import of raw materials, thus subject to exchange rate fluctuation risk. However, such risks are minor. Loans, bonds and lease obligations related to finance lease transactions are taken out principally for the purpose of making capital investments. Such obligations' redemption dates are a maximum of 14 years from the balance sheet date. A certain portion of said liabilities have variable interest rates and are subject to interest rate fluctuation risk. However, to hedge such risks, the interest rates are fixed through the use of derivative transactions (interest rate swap transactions). Evaluation of the effectiveness of derivatives is omitted since all of the interest rate swap transactions meet the specific matching criteria.

Derivative transactions are entered into and managed in accordance with internal policies, which determine the authority to undertake such transactions. To minimize credit risk, derivative transactions are entered into only with highly rated financial institutions.

Furthermore, while trade payables and loans are subject to liquidity risk, the Group manages such risks by preparing monthly cash flow plans for each company.

#### (3) Supplemental explanation of the estimated fair value of financial instruments

The values of contracts related to derivative transactions as stated in "2. Estimated fair value of financial instruments" do not by themselves indicate the market risk associated with the respective derivative transactions.

#### 2. Estimated fair value of financial instruments

Consolidated balance sheet amounts, estimated fair values and their differences as of March 31, 2017 are as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (see Note 2).

	Millions of yen		
	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	¥26,828	¥26,828	¥-
(2) Notes and accounts receivable—trade	48,877	48,877	-
(3) Securities and investment securities Available-for-sale securities	56,953	56,953	-
(4) Short-term loans receivable	194	194	-
(5) Long-term loans receivable	56	61	5
<b>Total assets</b>	<b>132,911</b>	<b>132,916</b>	<b>5</b>
(1) Notes and accounts payable—trade	28,650	28,650	-
(2) Short-term loans payable	21,898	21,898	-
(3) Bonds payable	10,000	10,008	8
(4) Long-term loans payable	32,319	32,601	282
<b>Total liabilities</b>	<b>92,868</b>	<b>93,159</b>	<b>290</b>
Derivative transactions	-	-	-
<b>Total derivative transactions</b>	<b>¥ -</b>	<b>¥ -</b>	<b>¥ -</b>

(Note 1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

#### Assets

- (1) Cash and deposits, (2) notes and accounts receivable trade and (4) short-term loans receivable  
Since these items are settled in the short-term, their market value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.
- (3) Securities and investment securities  
The fair value of such securities is based on quoted market prices. Please refer to "Securities", of these notes to the consolidated financial statements for information on securities classified by holding purpose.
- (5) Long-term loans receivable  
Long-term loans receivable are classified by remaining length of time to maturity. The fair values are estimated based on the present value of future cash flows discounted by the contracted rates as adjusted considering the rate for Japanese government issued bonds.

#### Liabilities

- (1) Notes and accounts payable—trade and (2) short-term loans payable  
Since these items are settled in the short-term, their fair value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.
- (3) Bonds payable  
The fair value of bonds issued by the Company is based on the quoted market price.
- (4) Long-term loans payable  
Long-term loans payable are classified by remaining length of time to maturity. The fair values are estimated based on the present value of future cash flows discounted by the contracted rates as adjusted considering the rate for Japanese government issued bonds. Long-term loans payable with floating rate interest are subject to special treatment with interest rate swaps (refer to "Derivative transactions" below), the total of principal and interest that is treated together with the hedged long-term loan is discounted by the interest rate reasonably expected to be applied for a similar type of loan.

#### Derivative transactions

Refer to "Derivative transactions related" of these notes.

(Note 2) Financial instruments for which fair value is extremely difficult to determine

Classification	Millions of yen
	Consolidated balance sheet amounts
Unlisted securities (*1)	¥1,778
Long-term loans receivable (*2)	2,815

(\*1) Unlisted securities have no available market price and the estimation of future cash flows is expected to entail excessive costs. Consequently, their market value is recognized as extremely difficult to estimate and, unlisted securities are not included in "Assets (3) Securities and investment securities".

The Group recognized an impairment loss of 11 million yen on unlisted shares during the current fiscal year.

(\*2) Certain long-term loans receivable are not included in "Assets (5) Long-term loans receivable" because future cash flows cannot be estimated reliably and their market value is recognized as extremely difficult to estimate.

(Note 3) Redemption schedule for receivables and redeemable securities with future redemption dates

	Millions of yen			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥26,804	¥-	¥-	¥-
Notes and accounts receivable—trade	48,877	-	-	-
Securities and investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	194	-	-	-
Long-term loans receivable	1	3	52	-
<b>Total</b>	<b>¥75,877</b>	<b>¥3</b>	<b>¥52</b>	<b>¥-</b>

(Note 4) Redemption schedule for bonds and long-term loans payable with future redemption dates

	Millions of yen					
	Within one year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	¥21,898	¥-	¥-	¥-	¥-	¥-
Bonds payable	-	-	5,000	-	-	5,000
Long-term loans payable	7,352	6,121	7,984	3,564	2,893	4,403
<b>Total</b>	<b>¥29,251</b>	<b>¥6,121</b>	<b>¥12,984</b>	<b>¥3,564</b>	<b>¥2,893</b>	<b>¥9,403</b>

Current fiscal year (March 31, 2018)

## 1. Matters concerning the status of financial instruments

### (1) Policies for financial instruments

The Group procures necessary funds primarily through bank loans and the issuance of bonds in accordance with capital expenditure plans and financial plans mainly to engage in the business of producing and selling cement. Temporary surpluses are invested in low-risk financial instruments and bank loans provide short-term working capital. It is the Group's policy to use derivatives as a way to avoid the below-stated risks and to not engage in trading or speculative transactions.

### (2) Types and risks of financial instruments and risk management

Trade receivables, such as notes and accounts receivable, are subject to credit risk in relation to customers. In accordance with its internal policies for managing such risk, the Company has established a system that manages the due dates and outstanding balances by each customer. Securities and investment securities are composed of mainly stocks associated with business and capital alliances, and are subject to market risk.

Trade payables, such as notes and accounts payable, usually have a payment due date within one year. Furthermore, a certain portion of such payables is denominated in foreign currencies, associated with the import of raw materials, and is thus subject to exchange rate fluctuation risk. However, such risks are minor. Loans, bonds and lease obligations related to finance lease transactions are taken out principally for the purpose of making capital investments. Such obligations' redemption dates are a maximum of 15 years from the balance sheet date. However, to hedge such risks, the interest rates are fixed through the use of derivative transactions (interest rate swap transactions). Evaluation of the effectiveness of hedges is omitted since all of the interest rate swap transactions meet the specific matching criteria.

Derivative transactions are entered into and managed in accordance with internal policies, which determine the authority to undertake such transactions. To minimize credit risk, derivative transactions are entered into only with highly rated financial institutions.

Furthermore, while trade payables and loans are subject to liquidity risk, the Group manages such risks by preparing monthly cash flow plans for each company.

### (3) Supplemental explanation of the estimated fair value of financial instruments

The values of contracts related to derivative transactions as stated in "2. Estimated fair value of financial instruments" do not by themselves indicate the market risk associated with the respective derivative transactions.

## 2. Estimated fair value of financial instruments

Consolidated balance sheet amounts, estimated fair values and their differences as of March 31, 2018 are as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (see Note 2).

	Millions of yen		
	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	¥ 22,204	¥ 22,204	¥ -
(2) Notes and accounts receivable—trade	52,595	52,595	-
(3) Securities and investment securities Available-for-sale securities	53,243	53,243	-
(4) Short-term loans receivable	182	182	-
(5) Long-term loans receivable	53	57	4
Total assets	¥128,279	¥128,283	¥ 4
(1) Notes and accounts payable—trade	29,615	29,615	-
(2) Short-term loans payable	21,326	21,326	-
(3) Bonds payable	10,000	10,017	17
(4) Long-term loans payable	30,481	30,671	190
Total liabilities	¥ 91,424	¥ 91,631	¥207
Derivative transactions	-	-	-
Total derivative transactions	¥ -	¥ -	¥ -
	Thousands of U.S. dollars		
	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	\$ 209,004	\$ 209,004	\$ 0
(2) Notes and accounts receivable—trade	495,062	495,062	0
(3) Securities and investment securities Available-for-sale securities	501,166	501,166	0
(4) Short-term loans receivable	1,714	1,714	0
(5) Long-term loans receivable	501	539	(38)
Total assets	\$1,207,449	\$1,207,487	\$ (38)
(1) Notes and accounts payable—trade	278,764	278,764	0
(2) Short-term loans payable	200,742	200,742	0
(3) Bonds payable	94,126	94,286	(160)
(4) Long-term loans payable	286,912	288,704	(1,792)
Total liabilities	\$ 860,545	\$ 862,497	(1,952)
Derivative transactions	-	-	-
Total derivative transactions	\$ -	\$ -	\$ -

(Note 1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

## Assets

(1) Cash and deposits, (2) notes and accounts receivable trade and (4) short-term loans receivable

Since these items are settled in the short-term, their fair value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.

(3) Securities and investment securities

The fair value of such securities is based on quoted market prices. Please refer to "Securities" of these notes to the consolidated financial statements for information on securities classified by holding purpose.

(5) Long-term loans receivable

Long-term loans receivable are classified by remaining length of time to maturity. The fair values are estimated based on the present value of future cash flows discounted by the contracted rates as adjusted considering the rate for Japanese government issued bonds.

## Liabilities

(1) Notes and accounts payable—trade and (2) short-term loans payable

Since these items are settled in the short-term, their fair market value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.

(3) Bonds payable

The fair value of bonds issued by the Company is based on the quoted fair price.

(4) Long-term loans payable

Long-term loans payable are classified by remaining length of time to maturity. The fair values are estimated based on the present value of future cash flows discounted by the contracted rates as adjusted considering the rate for Japanese government issued bonds. Long-term loans payable with floating rate interest are subject to special treatment with interest rate swaps (refer to "Derivative transactions" below), the total of principal and interest that is treated together with the hedged long-term loan is discounted by the interest reasonably expected to be applied for a similar type of loan.

## Derivative transactions

Refer to "Derivative transactions" of these notes.

(Note 2) Financial instruments for which fair value is extremely difficult to determine

Classification	Millions of yen	Thousands of U.S. dollars
	Consolidated balance sheet amounts	Consolidated balance sheet amounts
Unlisted securities (*)	¥1,784	\$16,798
Long-term loans receivable (**)	2,639	24,841

(\*) Unlisted securities have no available market price and the estimation of future cash flows is expected to entail excessive costs. Consequently, their fair value is recognized as extremely difficult to estimate and, unlisted securities are not included in "Assets (3) Securities and investment securities".

The Group recognized an impairment loss of 11 million yen on unlisted shares during the previous fiscal year.

(\*\*) Certain long-term loans receivable are not included in "Assets (5) Long-term loans receivable" because future cash flows cannot be estimated reliably and their fair value is recognized as extremely difficult to estimate.

(Note 3) Redemption schedule for receivables and redeemable securities with future redemption dates

	Millions of yen			
	Within 1 year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥22,180	¥-	¥-	¥-
Notes and accounts receivable—trade	52,595	-	-	-
Securities and investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	182	-	-	-
Long-term loans receivable	0	6	45	-
Total	¥74,959	¥6	¥45	¥-

	Thousands of U.S. dollars			
	Within 1 year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	\$208,780	\$-	\$-	\$-
Notes and accounts receivable—trade	495,062	-	-	-
Securities and investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	1,714	-	-	-
Long-term loans receivable	8	60	432	-
Total	\$705,565	\$60	\$432	\$-

(Note 4) Redemption schedule for bonds and long-term loans payable with future redemption dates

	Millions of yen					
	Within 1 year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	¥21,326	¥-	¥-	¥-	¥-	¥-
Bonds payable	-	5,000	-	-	-	5,000
Long-term loans payable	6,503	8,986	4,344	3,508	2,116	5,021
Total	¥27,830	¥13,986	¥4,344	¥3,508	¥2,116	¥10,021

	Thousands of U.S. dollars					
	Within 1 year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	\$200,742	\$-	\$-	\$-	\$-	\$-
Bonds payable	-	47,063	0	0	-	47,063
Long-term loans payable	61,216	84,583	40,897	33,027	19,919	47,269
Total	\$261,959	\$131,647	\$40,897	\$33,027	\$19,919	\$94,333



**(Securities)****1. Available-for-sale securities**

Previous fiscal year (March 31, 2017)

		Millions of yen		
Type	Consolidated balance sheet amounts	Acquisition cost	Difference	
(1) Stocks	¥56,943	¥11,881	¥45,062	
(2) Bonds				
Acquisition cost exceeds carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	56,943	11,881	45,062	
(1) Stocks	10	10	(0)	
(2) Bonds				
Acquisition cost does not exceed carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	10	10	(0)	
Total	¥56,953	¥11,892	¥45,061	

Current fiscal year (March 31, 2018)

		Millions of yen		
Type	Consolidated balance sheet amounts	Acquisition cost	Difference	
(1) Stocks	¥53,234	¥11,858	¥41,375	
(2) Bonds				
Acquisition cost exceeds carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	53,234	11,858	41,375	
(1) Stocks	9	11	(1)	
(2) Bonds				
Acquisition cost does not exceed carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	9	11	(1)	
Total	¥53,243	¥11,870	¥41,373	

		Thousands of U.S. dollars		
Type	Consolidated balance sheet amounts	Acquisition cost	Difference	
(1) Stocks	\$501,074	\$111,621	\$389,453	
(2) Bonds				
Acquisition cost exceeds carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	501,074	111,621	389,453	
(1) Stocks	91	108	(16)	
(2) Bonds				
Acquisition cost does not exceed carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	91	108	(16)	
Total	\$501,166	\$111,729	\$389,436	

**2. Sales of available-for-sale securities**

Previous fiscal year (April 1, 2016 to March 31, 2017)

		Millions of yen		
Type	Proceeds from sales	Total gains on sales	Total losses on sales	
(1) Stocks	¥1,420	¥566	¥-	
(2) Bonds				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Total	¥1,420	¥566	¥-	

Current fiscal year (April 1, 2017 to March 31, 2018)

		Millions of yen		
Type	Proceeds from sales	Total gains on sales	Total losses on sales	
(1) Stocks	¥237	¥206	¥-	
(2) Bonds				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Total	¥237	¥206	¥-	

		Thousands of U.S. dollars		
Type	Proceeds from sales	Total gains on sales	Total losses on sales	
(1) Stocks	\$2,234	\$1,944	\$-	
(2) Bonds				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Total	\$2,234	\$1,944	\$-	

**(Derivative transactions)****1. Derivative transactions not subject to hedge accounting**

None.

**2. Derivative transactions subject to hedge accounting**

Interest rate related

Previous fiscal year (March 31, 2017)

		Millions of yen			
Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swap transactions	Long-term loans payable	¥11,771	¥8,371	(Note)

(Note) Because the special treatment of interest rate swaps is treated together with the hedged long-term loans payable, the market value is stated within the market value of the relevant long-term loans payable.

Current fiscal year (March 31, 2018)

		Millions of yen			
Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swap transactions	Long-term loans payable	¥9,151	¥6,521	(Note)

Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Thousands of U.S. dollars	
				Contract amount over one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swap transactions	Long-term loans payable	\$86,135	\$61,380	(Note)

(Note) Because the special treatment of interest rate swaps is treated together with the hedged long-term loans payable, the fair value is stated within the fair value of the relevant long-term loans payable.

## (Retirement benefits)

### 1. Outline of retirement benefits system

In order to pay employee retirement benefits, the Company and its domestic consolidated subsidiaries have funded and unfunded defined benefit and defined contribution retirement plans.

For the defined benefit and retirement lump-sum payment plans of certain domestic consolidated subsidiaries the net retirement benefit liability and benefit cost are calculated using the simplified method.

### 2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of projected benefit obligation (excluding plans using the simplified method)

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Beginning balance of projected benefit obligation	¥13,916	<b>¥13,761</b>	<b>\$129,533</b>
Service cost	773	<b>735</b>	<b>6,919</b>
Interest cost	27	<b>54</b>	<b>513</b>
Actuarial gains and losses	(166)	<b>185</b>	<b>1,744</b>
Payment of retirements benefits	(789)	<b>(698)</b>	<b>(6,573)</b>
Ending balance of projected benefit obligation	¥13,761	<b>¥14,038</b>	<b>\$132,137</b>

(2) Reconciliation of beginning and ending balances of pension assets (excluding plans using the simplified method)

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Beginning balance of pension assets	¥11,642	<b>¥11,612</b>	<b>\$109,306</b>
Expected return on pension assets	232	<b>232</b>	<b>2,186</b>
Actuarial gains and losses	(80)	<b>326</b>	<b>3,073</b>
Employer contribution	595	<b>588</b>	<b>5,535</b>
Payment of retirements benefits	(777)	<b>(690)</b>	<b>(6,501)</b>
Ending balance of pension assets	¥11,612	<b>¥12,068</b>	<b>\$113,600</b>

(3) Reconciliation of beginning and ending balances of net defined benefit liability using the simplified method

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Beginning balance of net defined benefit liability	¥ 481	<b>¥ 492</b>	<b>\$4,632</b>
Retirement benefit expenses	207	<b>139</b>	<b>1,310</b>
Retirement benefit payment amount	(105)	<b>(82)</b>	<b>(780)</b>
Contributions to the plan	(93)	<b>(94)</b>	<b>(889)</b>
Other	2	<b>(4)</b>	<b>(40)</b>
Ending balance of net defined benefit liability	¥ 492	<b>¥ 449</b>	<b>\$4,232</b>

(4) Reconciliation of projected benefit obligations and pension assets at end of year with net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Projected benefit obligation of funded plan	¥ 14,848	<b>¥ 15,178</b>	<b>\$ 142,866</b>
Pension assets	(13,148)	<b>(13,714)</b>	<b>(129,085)</b>
	1,700	<b>1,464</b>	<b>13,780</b>
Projected benefit obligation of unfunded plan	940	<b>955</b>	<b>8,989</b>
Net amount of liabilities and assets on the consolidated balance sheet	2,641	<b>2,419</b>	<b>22,769</b>
Net defined benefit liability	2,987	<b>2,819</b>	<b>26,543</b>
Net defined benefit asset	(346)	<b>(400)</b>	<b>(3,773)</b>
Net amount of liabilities and assets on the consolidated balance sheet	¥ 2,641	<b>¥ 2,419</b>	<b>\$ 22,769</b>

(5) Breakdown of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Service cost	¥ 773	<b>¥ 735</b>	<b>\$ 6,919</b>
Interest cost	27	<b>54</b>	<b>513</b>
Expected return on pension assets	(232)	<b>(232)</b>	<b>(2,186)</b>
Amortization of actuarial loss	261	<b>212</b>	<b>2,000</b>
Retirement benefit cost calculated using simplified method	207	<b>139</b>	<b>1,310</b>
Retirement benefit cost of defined benefit pension	¥1,036	<b>¥ 909</b>	<b>\$ 8,557</b>

(6) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before tax effects) are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Actuarial gains and losses	¥346	<b>¥353</b>	<b>\$3,329</b>
Total	¥346	<b>¥353</b>	<b>\$3,329</b>

## (7) Cumulative remeasurements of defined benefit plans

Components of cumulative remeasurements of defined benefit plans (before tax effects) are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Unrecognized actuarial loss/gain	¥623	<b>¥269</b>	<b>\$2,540</b>
Total	¥623	<b>¥269</b>	<b>\$2,540</b>

## (8) Matters concerning pension assets

## (1) Breakdown of main pension assets

The ratio of the main types of pension assets to total pension assets is as follows.

	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)
Bonds	53%	<b>48%</b>
Stocks	25%	<b>32%</b>
General accounts	17%	<b>16%</b>
Other	5%	<b>4%</b>
Total	100%	<b>100%</b>

## (2) Method for determining the expected long-term investment return

In determining the expected long-term investment return for pension assets, estimates are made in consideration of the current and expected distributions of pension assets, and the current and expected long-term return rate from the various assets that compose the pension assets.

## (9) Matters concerning actuarial assumptions

Principal actuarial assumptions

	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)
Discount rate	0.2%	<b>0.4%</b>
Expected long-term investment return	2.0%	<b>2.0%</b>
Expected rates of salary increases	3.4% to 5.4%	<b>2.8% to 5.5%</b>

**(Stock options)**

Not applicable.

**(Income tax accounting)****1. Significant components of deferred income tax assets and liabilities**

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Deferred tax assets			
Impairment loss	¥ 2,394	<b>¥ 2,194</b>	<b>\$ 20,652</b>
Tax loss carryforwards	1,477	<b>1,004</b>	<b>9,453</b>
Provision for bonuses	739	<b>734</b>	<b>6,913</b>
Unrealized holding gain	516	<b>538</b>	<b>5,072</b>
Net defined benefit liability	938	<b>883</b>	<b>8,312</b>
Accrued business tax	256	<b>220</b>	<b>2,076</b>
Allowance for doubtful receivables	42	<b>33</b>	<b>318</b>
Other	1,396	<b>1,315</b>	<b>12,383</b>
Subtotal for deferred tax assets	7,761	<b>6,924</b>	<b>65,182</b>
Valuation allowance	(4,193)	<b>(3,446)</b>	<b>(32,443)</b>
Total deferred tax assets	3,567	<b>3,478</b>	<b>32,739</b>
Deferred tax liabilities			
Valuation difference for available-for-sale securities	(13,978)	<b>(12,829)</b>	<b>(120,757)</b>
Liability reserves under the Act on Special Measures Concerning Taxation	(1,176)	<b>(1,117)</b>	<b>(10,516)</b>
Other	(638)	<b>(653)</b>	<b>(6,147)</b>
Total deferred tax liabilities	(15,792)	<b>(14,599)</b>	<b>(137,422)</b>
Deferred tax liabilities, net	¥(12,225)	<b>¥(11,121)</b>	<b>\$(104,683)</b>

(Note) Net deferred tax liabilities for the previous fiscal year and current fiscal year include the following items in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Current assets - deferred tax assets	¥ 1,630	<b>¥ 1,500</b>	<b>\$ 14,126</b>
Noncurrent assets - deferred tax assets	695	<b>713</b>	<b>6,711</b>
Noncurrent liabilities - deferred tax liabilities	(14,549)	<b>(13,334)</b>	<b>(125,512)</b>

**2. Significant components of material differences between the statutory effective tax rate and the effective tax rate after the application of tax effect accounting**

	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)
Statutory effective tax rate	31.0%	<b>31.0%</b>
(Adjustment)		
Adjustments that are not temporary differences	0.3	<b>0.0</b>
Valuation allowance	(1.0)	<b>(4.7)</b>
Tax credit	(0.7)	<b>(0.8)</b>
Other	(0.8)	<b>(0.2)</b>
Effective tax rate after the application of tax effect accounting	28.8	<b>25.3</b>

**(Rental real estate)**

The Company and certain subsidiaries own rental distribution warehouses, rental office buildings (including the surrounding land), idle land, and other properties in Osaka Prefecture and other areas. During the previous fiscal year ended March 31, 2017, rental income from rental property assets was ¥956 million (rental revenue is recorded under sales and rental costs are recorded under cost of sales), net gains from sales of rental property amounted to ¥774 million (recorded under extraordinary gain) and impairment loss was ¥15 million (recorded under extraordinary loss). During the current fiscal year ended March 31, 2018, rental income from rental property assets was ¥1,032 million (US\$9,722 thousand) (rental income is recorded under sales and rental costs are recorded under cost of sales), net gains from sales of rental property amounted to ¥164 million (US\$1,545 thousand) (recorded under extraordinary gain), and impairment loss was ¥22 million (US\$211 thousand) (recorded under extraordinary loss).

The carrying amount of rental property, and changes in carrying amount and fair value are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Consolidated balance sheet amounts			
Opening balance	¥23,015	<b>¥23,065</b>	<b>\$217,104</b>
Change during the fiscal year	50	<b>128</b>	<b>1,213</b>
Closing balance	23,065	<b>23,194</b>	<b>218,317</b>
Fair value at the end of the fiscal year	¥31,352	<b>¥31,388</b>	<b>\$295,448</b>

(Notes) 1. Consolidated balance sheet amounts exclude accumulated depreciation and amortization as well as accumulated impairment loss from acquisition costs.  
2. The market value (which includes adjustments using relevant indices) is calculated using the standard for real estate appraisal for significant assets, and estimated based on the value calculated for property tax for other assets.

## (Segment information)

### Segment information

I Previous fiscal year (April 1, 2016 to March 31, 2017)

#### 1. Overview of reporting segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Company's reportable segments are composed of products and services based on the Cement segment and departments. The Company's seven reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, Battery Materials and Others.

#### 2. Calculation method for net sales, profit or loss, assets, liabilities, and other amounts for each reportable segment

The accounting methods for the reportable segments are, in general, the same as those described in the "Basis of preparation of consolidated financial statements".

Segment profit (loss) is based on operating income. Intersegment profits and transfers are based on prevailing market prices.

#### 3. Information on net sales, profit or loss, assets, liabilities, and other items by reporting segment

	Reporting segments							Total	Note 1 Eliminations and adjustments	Note 2 Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other			
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	¥180,326	¥12,019	¥19,475	¥8,981	¥5,709	¥2,439	¥ 5,111	¥234,062	¥ -	¥234,062
(2) Intersegment sales or transfers	3,468	3,747	2,363	-	-	-	4,554	14,134	(14,134)	-
Total	183,794	15,766	21,839	8,981	5,709	2,439	9,666	248,196	(14,134)	234,062
Segment profit (or loss)	14,606	2,290	1,360	1,364	664	84	1,162	21,533	(2)	21,530
Segment assets	221,963	31,626	14,212	8,952	6,225	6,622	25,939	315,542	21,248	336,790
Other items										
Depreciation expense	12,797	1,741	500	798	370	221	618	17,047	(3)	17,043
Amortization of goodwill	(1)	-	-	5	-	-	-	4	-	4
Increase in property, plant and equipment and intangible assets	¥ 14,719	¥ 1,992	¥ 343	¥1,301	¥ 820	¥1,613	¥ 116	¥ 20,908	¥ -	¥20,908

Notes: 1. Eliminations and adjustments are described below.

(1) Eliminations and adjustments for segment profit and loss of (¥2 million) include elimination of inter-segment profit and loss.

(2) Eliminations and adjustments for segment assets of ¥21,248 million include ¥36,333 million of corporate assets, which are not allocable to a reportable segment, and (¥15,084 million) of elimination of inter-segment profit and loss. Corporate assets mainly consist of long-term investment funds (investment securities) and assets attributable to administrative divisions.

(3) Eliminations and adjustments for depreciation and amortization of (¥3 million) include ¥9 million of depreciation and amortization for corporate assets and (¥13 million) of elimination of inter-segment profit and loss.

2. Segment profit (or loss) has been adjusted to the operating income reported in the consolidated statements of income.

## II. Current fiscal year (April 1, 2017 to March 31, 2018)

#### 1. Overview of reporting segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Company's reportable segments are composed of products and services based on the Cement segment and departments. The Company's seven reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, Battery Materials, and Others.

Main products for each reportable segment are as follows:

Reporting segments	Main products
Cement	Assorted cement, ready-mix concrete, cement-related solidification materials, supply of electrical power, and recycling of raw materials and fuel
Mineral Resources	Limestone and mineral products
Cement-Related Products	Repairing and reinforcing products for concrete structures, and secondary products of concrete
Optoelectronics	Optical communications devices and components, and optical measurement equipment
Advanced Materials	Ceramic products, plasma display panels (PDPs) filters, and nanoparticle materials
Battery Materials	Rechargeable battery cathode materials
Other	Leasing of real estate, engineering, development of software, and secondary cell materials

Main products for each reportable segment are as follows:

Reporting segments	Main products
Cement	Assorted cement, cement-related solidification materials, ready-mix concrete, supply of electrical power, and recycling of raw materials and fuel
Mineral Resources	Limestone, dolomite, calcium carbonate, aggregate, and silica powder
Cement-Related Products	Repair and reinforcement of concrete structures (materials and construction), various admixture, heavy metal pollution control material, fish beds and seaweed beds, electrolytic protection methods, various foundation improvement work, PC (products, settings), and various hume concrete pipes
Optoelectronics	Optical communications devices and components, and optical measurement equipment
Advanced Materials	Various ceramic products, various nanoparticle materials, antibacterial agents, cosmetics, and various functional paints
Battery Materials	Rechargeable battery cathode materials
Other	Leasing of real estate, engineering, development of software, and secondary cell materials

## 2. Calculation method for net sales, profit or loss, assets, liabilities, and other amounts for each reportable segment

The accounting methods for the reportable segments are, in general, the same as those described in the "Basis of preparation of consolidated financial statements".

Segment profit (loss) is based on operating income. Intersegment profits and transfers are based on prevailing market prices.

## 3 Information on net sales, profit or loss, assets, liabilities, and other items by reporting segment

	Reporting segments							Millions of yen		
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	Note 1 Adjustment amount	Note 2 Consolidated
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	¥188,160	¥12,266	¥19,981	¥7,656	¥8,063	¥2,751	¥ 5,944	¥244,826	¥ -	¥244,826
(2) Intersegment sales or transfers	3,871	4,069	2,782	-	-	-	5,778	16,501	(16,501)	-
Total	192,032	16,336	22,763	7,656	8,063	2,751	11,723	261,328	(16,501)	244,826
Segment profit (or loss)	12,328	2,253	1,484	(47)	1,434	50	1,579	19,083	(92)	18,990
Segment assets	220,015	31,675	16,918	9,630	8,378	6,611	25,572	318,801	22,179	340,980
Other items										
Depreciation expense	12,819	1,959	483	917	499	382	600	17,661	0	17,661
Amortization of goodwill	-	-	-	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	19,073	1,954	329	1,431	1,766	341	243	25,141	-	25,141

	Reporting segments							Thousands of U.S. dollars		
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	Note 1 Adjustment amount	Note 2 Consolidated
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	\$1,771,089	\$115,462	\$188,080	\$72,070	\$75,903	\$25,901	\$ 55,957	\$2,304,465	\$ -	\$2,304,465
(2) Intersegment sales or transfers	36,443	38,307	26,187	-	-	-	54,387	155,326	(155,326)	-
Total	1,807,532	153,769	214,268	72,070	75,903	25,901	110,345	2,459,792	(155,326)	2,304,465
Segment profit (or loss)	116,039	21,211	13,977	(445)	13,499	474	14,865	179,622	(870)	178,751
Segment assets	2,070,924	298,147	159,250	90,649	78,861	62,227	240,702	3,000,762	208,765	3,209,528
Other items										
Depreciation expense	120,664	18,440	4,547	8,637	4,700	3,600	5,651	166,242	2	166,245
Amortization of goodwill	-	-	-	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	179,533	18,393	3,104	13,474	16,624	3,216	2,296	236,643	-	236,643

Notes: 1. Eliminations and adjustments are described below.

(1) Adjustments for segment profit or loss of ¥92 million (US\$870 thousand) include elimination of inter-segment profit and loss.

(2) Adjustments for segment assets of ¥22,179 million (US\$208,765 thousand) include ¥40,608 million (US\$382,233 thousand) of corporate assets, which are not allocable to a reportable segment, and (¥18,429 million) (US\$173,467 thousand) of elimination of inter-segment profit and loss. Corporate assets mainly consist of long-term investment funds (investment securities) and assets attributable to administrative divisions.

(3) Adjustments for depreciation and amortization of ¥0 million (US\$2 thousand) include ¥14 million (US\$139 thousand) of depreciation and amortization for corporate assets and (¥14 million) (US\$139 thousand) of elimination of inter-segment profit and loss.

2. Segment profit (or loss) has been adjusted to the operating income reported in the consolidated statements of income.

3. "Battery Materials" which had previously been included in "Others" has been reclassified as a reporting segment from the current fiscal year. This is a result of "Battery Materials" being newly positioned as a high-performance products business in addition to Optoelectronics and Advanced Materials under the Fiscal 2017-2019 Medium-term Management Plan starting from the current fiscal year. Note that the segment information for the previous fiscal year reflects this change in reporting segment classification.

**Related information**Previous fiscal year (April 1, 2016 to March 31, 2017)

## 1. Information by product and service

Because similar information is disclosed in segment information, this information is omitted.

## 2. Geographical information

*Net sales*

Because net sales in the Japan area constitute more than 90% of net sales stated in the consolidated statements of income, information regarding geographical areas is omitted.

*Property, plant and equipment*

Because property, plant and equipment located in Japan accounts for over 90% of the property, plant and equipment stated in the consolidated balance sheets, information regarding geographical areas is omitted.

Current fiscal year (April 1, 2017 to March 31, 2018)

## 1. Information by product and service

Because similar information is disclosed in segment information, this information is omitted.

## 2. Information by region

*Net sales*

Because net sales in the Japan area constitute more than 90% of net sales stated in the consolidated statements of income, information regarding geographical areas is omitted.

*Property, plant and equipment*

Because property, plant and equipment located in Japan accounts for over 90% of the property, plant and equipment stated in the consolidated balance sheets, information regarding geographical areas is omitted.

**[Impairment loss on fixed assets by reportable segment]**

Previous fiscal year (April 1, 2016 to March 31, 2017)

Because this information lacks materiality, this information is omitted.

Current fiscal year (April 1, 2017 to March 31, 2018)

	Reporting segments								Adjust- ment amount	Consolidated
	Cement-Related							Total		
	Cement	Mineral Resources	Products	Optoelectronics	Advanced Materials	Battery Materials	Other			
Impairment loss	¥104	¥2	¥-	¥-	¥-	¥-	¥17	¥124	¥-	¥124

Current fiscal year (April 1, 2017 to March 31, 2018)

	Reporting segments								Adjust- ment amount	Consolidated
	Cement-Related							Total		
	Cement	Mineral Resources	Products	Optoelectronics	Advanced Materials	Battery Materials	Other			
Impairment loss	\$981	\$24	\$-	\$-	\$-	\$-	\$165	\$1,171	\$-	\$1,171

Information relating to goodwill amortization and unamortized balance by reporting segment

Previous fiscal year (April 1, 2016 to March 31, 2017)

Because this information lacks materiality, this information is omitted.

Current fiscal year (April 1, 2017 to March 31, 2018)

Not applicable.

Information relating to gains incurred from negative goodwill by reporting segment

Previous fiscal year (April 1, 2016 to March 31, 2017)

Not applicable.

Current fiscal year (April 1, 2017 to March 31, 2018)

Not applicable.

**(Related party transaction information)**

Previous fiscal year (April 1, 2016 to March 31, 2017)

Not applicable.

Current fiscal year (April 1, 2017 to March 31, 2018)

Not applicable.

**(Per share information)**

Item	yen		U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Net assets per share	¥478.48	<b>¥498.81</b>	<b>\$4.695</b>
Profit per share	39.93	<b>36.12</b>	<b>0.340</b>

(Notes) 1. Diluted profit per share is not presented, since there is no dilutive stock.

2. The basis for the calculation of profit per share is as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Profit attributable to owners of parent	¥16,210	<b>¥14,659</b>	<b>\$137,981</b>
Amount not attributed to common shareholders	-	-	-
Profit attributable to owners of parent related to common stock	16,210	<b>14,659</b>	<b>137,981</b>
Average outstanding shares during the fiscal year (shares)	405,918,499	<b>405,844,791</b>	

**(Significant subsequent events)**

- Change in number of shares constituting one trading unit and share consolidation

At the meeting of the Company's Board of Directors held on May 10, 2018, it was resolved to submit a proposal concerning a change in number of shares constituting one unit and a consolidation of shares to the 155th Ordinary General Meeting of Shareholders held on June 28, 2018, and this proposal was approved accordingly.

**1. Change in number of shares constituting one trading unit**

(1) Reason for the change

For the convenience of investors and other market participants, all Japanese securities exchanges are supporting the achievement of the Action Plan for Consolidating Trading Units by October 2018, under which the trading unit for common shares of domestically listed companies has been set at a uniform 100 shares. In light of the intent of this action plan as a company listed on the Tokyo Stock Exchange, the Company has proposed reducing the number of shares constituting one trading unit from 1,000 to 100 as of October 1, 2018.

(2) Details of the change

The number of shares constituting one trading unit will be changed from 1,000 to 100.

**2. Share consolidation**

(1) Objective of share consolidation

As stated in Item 1 above, along with the change in the number of shares constituting one trading unit, the Company will consolidate 10 shares into 1 share so there are no changes in the number of voting rights for each shareholder. The total number of authorized shares will be reduced from 1,470,130,000 shares to 130,000,000 shares by taking into account the ratio of the total number of issued shares after the share consolidation to the total number of authorized shares.

(2) Details of the consolidation

(1) Class of shares to be consolidated

Common shares

(2) Ratio of consolidation

On October 1, 2018, shares held by shareholders of record in the latest shareholder register as of September 30, 2018, will be consolidated at a 10-to-1 ratio.

(3) Total number of shares authorized on the effective date

130,000,000

(4) Decrease in number of shares due to consolidation

Total number of shares outstanding before consolidation (as of March 31, 2018)	417,432,175 (shares)
Decrease in number of shares due to consolidation	375,688,958 (shares)
Total number of shares outstanding after consolidation	41,743,217 (shares)

(Note) "Decrease in number of shares due to consolidation" and "Total number of shares outstanding after consolidation" are theoretical values calculated based on the total number of shares outstanding before consolidation and the share consolidation ratio.

## (5) Treatment of fractional shares

Regarding any fractional shares that may result from the share consolidation, pursuant to the provisions of Article 235 of the Companies Act, the Company shall sell all such fractional shares in a block and distribute the proceeds to the shareholders who have held the fractional shares on a pro rata basis.

**3. Schedule**

May 10, 2018: Date of resolution by Board of Directors

June 28, 2018: 155th Ordinary General Meeting of Shareholders

October 1, 2018: Effective date of change in number of shares constituting one trading unit and share consolidation

**4. Impact on per share information**

Pro forma per share information for the previous fiscal year and the current fiscal year assuming that the share consolidation was conducted at the beginning of the previous fiscal year is as follows.

Item	yen		U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Net assets per share	¥4,784.78	<b>¥4,988.14</b>	<b>\$46.95</b>
Profit per share	399.34	<b>361.20</b>	<b>3.39</b>

(Note) Fully diluted profit per share is not presented, since there is no dilutive stock.

- Acquisition and retirement of treasury stock

At the Board of Directors held on May 30, 2018, it was decided to acquire treasury stock pursuant to the provisions of Article 156 of the Companies Act after applying the provisions of Article 165, Item 3 of the Act and to retire treasury stock under the provisions of Article 178 of the Companies Act.

**1. Reason for acquisition and retirement of treasury stock**

The aim to deliver even more returns to shareholders through improvements in capital efficiency

**2. Matters concerning the acquisition**

- (1) Type of shares acquired: Common shares of the Company
- (2) Total number of shares to be acquired: Up to 20,000,000 shares  
(Ratio of the maximum shares to be acquired to the total outstanding shares (excluding treasury shares): 4.93%)
- (3) Total acquisition cost for the shares: ¥12 billion yen (maximum)
- (4) Acquisition period: May 31, 2018 to September 28, 2018

**3. Details of the retirement**

- (1) Type of shares to be retired: Common shares of the Company
- (2) Total number of shares to be retired: Up to 11,000,000 shares  
(2.64% of total shares outstanding before the retirement)
- (3) Total number of outstanding shares: 406,432,175 shares
- (4) Scheduled date of retirement: June 15, 2018